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Heating Oil Prices Starting to Decline

Augusta, Maine – The Governor's Energy Office (GEO) conducted its weekly heating fuel price survey on Monday, January 7, 2018, and found the current statewide average cash price for No. 2 heating oil was **$2.86 per gallon, down 9 cents in the last three weeks.** The average statewide kerosene price has also dropped 9 cents, and now stands at $3.45 per gallon. The average propane price (for heating customers) this week has dipped to $2.87 per gallon, just below the $2.88 or $2.89 per gallon statewide price that has held steady since late October. The table below shows average prices since early November, and the difference in prices between this heating season and 2017–18.

Date	*Maine Average Retail Heating Fuel Prices, per Gallon*		
	Heating Oil	**Kerosene**	**Propane**
11/5/18	*$3.01*	*$3.61*	*$2.89*
11/13/18	*$3.02*	*$3.61*	*$2.88*
11/19/18	*$3.01*	*$3.60*	*$2.89*
11/26/18	*$2.99*	*$3.58*	*$2.88*
12/3/18	*$2.97*	*$3.54*	*$2.88*
12/10/18	*$2.96*	*$3.55*	*$2.89*
12/17/18	*$2.95*	*$3.54*	*$2.89*
12/26/18	*$2.90*	*$3.49*	*$2.89*
1/2/19	*$2.88*	*$3.47*	*$2.88*
1/7/19	*$2.86*	*$3.45*	*$2.87*
avg. 2017-18 heating season price	***$2.59***	***$3.22***	***$2.70***

Crude oil prices dropped almost 40 percent from early October into December, and have since recovered slightly; prices are now approximately 30 percent lower than early October highs (approximately $52 [WTI] to $61 [Brent] per barrel). Despite this, heating oil prices have continued a slow decline over the last few weeks. Crude oil prices are a significant factor contributing to the final price of heating oil, but weather also plays a large role.

Heating Degree Days (HDD), a measure of heating demand, tell the story over the last couple of months. As the table below illustrates, heating demand in October and November was

significantly higher than last year, and also higher than the 30 year normal calculated by the National Oceanic and Atmospheric Administration (NOAA). October was approximately 50% colder than a year ago. In contrast, December was warmer than last year, and very close to the 30 year average. Higher demand often results in higher prices, and lower demand, the opposite. Until the last few weeks, heating demand has been a factor contributing to flat retail prices in the face of lower crude oil costs. With the warm December, retail prices have begun to decline.

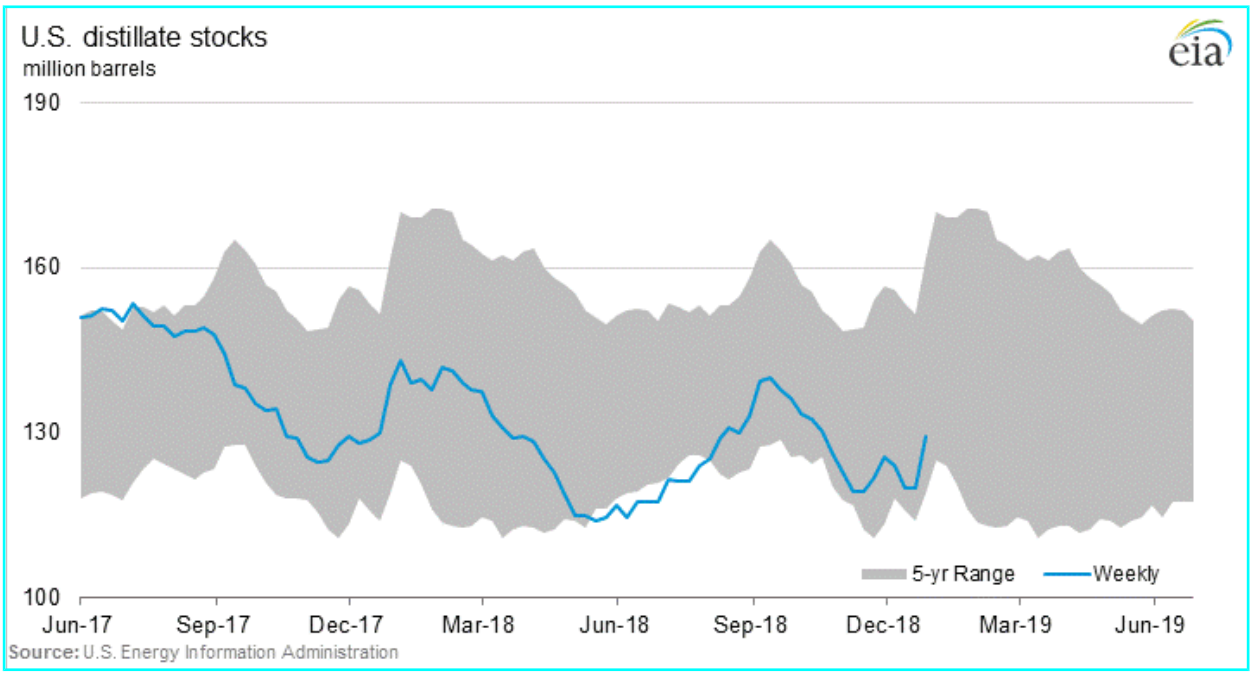
Heating Degree Days, Selected Locations in Maine, October to December 2018

City	HDD	Deviation from 30 Year Normal	Deviation from last year	Season Deviation from 30 year Normal	Season Deviation from last year
OCTOBER	*Colder (3-13%) than a normal October; much colder (46-53%) than Oct. 2017*				
Augusta	*594*	*90*	*317*		
Bangor	*614*	*80*	*318*		
Caribout	*775*	*84*	*358*		
Houlton	*789*	*106*	*364*		
Portland	*539*	*16*	*263*		
NOVEMBER	*Colder (6-16%) than a normal November; 8-12.5% colder than Nov. 2017*				
Augusta	*964*	*158*	*115*		
Bangor	*973*	*134*	*122*		
Caribou	*1113*	*74*	*90*		
Houlton	*1106*	*99*	*121*		
Portland	*883*	*93*	*87*		
DECEMBER	*Avg. to slightly warmer than a normal December; 5-14% warmer than Dec. 2017*				
Augusta	*1099*	*2*	*-111*		
Bangor	*1142*	*10*	*-135*		
Caribou	*1359*	*3*	*-70*		
Houlton	*1311*	*-11*	*-77*		
Portland	*991*	*-46*	*-140*		
SEASON TOTAL (through Dec.)				**Percent colder than Normal**	**Percent colder than last year**
Augusta	***2833***	***188***	***354***	***7%***	***14%***
Bangor	***2939***	***160***	***364***	***6%***	***14%***
Caribou	***3580***	***-53***	***402***	***-1%***	***13%***
Houlton	***3614***	***83***	***463***	***2%***	***15%***
Portland	***2568***	***-69***	***237***	***-3%***	***10%***

https://www.cpc.ncep.noaa.gov/products/analysis_monitoring/cdus/degree_days/

Another factor contributing to the slow decline in retail prices is tighter domestic supplies. According to the Energy Information Administration, U.S. distillate inventories (including heating

oil) have regained a bit of ground from mid-December, and are no longer below the five-year average. That being said, inventories are still at the bottom of the five year range for this time of year. See chart below.



https://www.eia.gov/petroleum/weekly/distillate.php#1a

Other states in the region are experiencing similar trends. Below is a chart that shows average statewide prices for heating oil and propane in the northeast states. Average prices are determined using a population-weighted sample of retailers in each state.

Statewide Average Prices for Heating Oil and Propane
NE United States – Dec. 31, 2018

State	Heating Oil	Propane
CT	$3.133	$2.965
MA	$3.175	$3.112
ME	$2.959	$3.019
NH	$3.107	$3.317
NY	$3.357	$3.265
RI	$3.238	$3.572
VT	$2.740	$3.459

https://www.eia.gov/dnav/pet/pet_pri_wfr_a_EPD2F_prs_dpgal_w.htm

Closer to home, below is a table of prices collected for various regions of the state.

Maine Retail Heating Fuel Prices, as of January 7, 2019

Heating Oil	Statewide	Southwest	Central	Eastern	Western	Northern
Average	2.86	2.90	2.89	2.80	2.87	2.82
High	3.35	3.35	3.35	3.35	3.35	2.95
Low	2.49	2.49	2.71	2.51	2.70	2.75
Kerosene	3.45	3.52	3.49	3.39	3.43	3.37
Propane	2.87	3.04	2.82	2.86	2.77	2.66

Based on this week's prices, Mainers can estimate the cost of heating by using the table below. Prices between various heating fuels are listed, and these prices are converted to a common heating unit value (dollars per million Btu).

Comparison of Heating Fuel Prices per Million Btu (January 7, 2019)

Fuel Price (in dollars)	Fuel Price (dollars per million Btu)
Cord Wood ($275/cord)	$12.50
Wood Pellets ($268/ton)	$16.24
Natural Gas ($1.58-$2.16/therm)*	$15.83-$21.61
Heating Oil ($2.86/gallon)	$20.62
Kerosene ($3.45gallon)	$25.56
Propane ($2.87/gallon)	$31.42
Electricity - baseboard (15.8-18.5 cents/kwh)*	$46.31-$54.22
Electricity - air source heat pump (5.85-6.85 cents/kwh)**	$17.15- $20.08

**price varies depending on location; natural gas and electricity delivery companies service only selected areas of the state.*
***ductless, air source heat pump calculations courtesy of Efficiency Maine*

Fuel prices are only part of the calculation when determining which fuel will save you more money over the course of a heating season. *The type of heating system and its efficiency are also important factors in determining final costs.* The Energy Office has a calculator on its website that allows consumers to explore these fuel options further, as well as compare efficiencies of heating systems most closely matching their own system. Heating costs vary considerably from home to home. The home-heating calculator can assist homeowners in finding the best heating option for their home, location, lifestyle and budget http://www.maine.gov/energy/index.html. Efficiency Maine also has a calculator on its website to help consumers evaluate their heating options http://www.efficiencymaine.com/at-home/home-energy-savings-program/heating-cost-comparison/.

The price for heating oil is a statewide average; prices in a given geographic region of the state may be considerably higher or lower than this average. This week, within the Energy Office sample, the highest heating oil price found was $3.35, and the lowest heating oil price found was $2.49. In addition, ***the statewide average price for propane is based on consumption of at least 900 gallons a year***. Households using propane just for cooking or hot water generally pay a higher per-gallon price. The table above provides current Maine cash prices in dollars rounded to the nearest penny.